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Livestock and Products

EC Standing Committee approves restrictions on beef imports from Brazil

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Report Highlights:

On December 19, 2007, the Standing Committee on the Food Chain and Animal Health (SCFCAH) approved a Commission Decision that imposes stricter traceability requirements for Brazilian beef exports to the EU after another FVO audit identified continuing deficiencies. Expectations are that these restrictions will reduce the number of eligible ranches from more than ten thousands to just a few hundred. While these restrictions will only affect raw beef imports, EU beef prices are expected to increase. EU beef exports are expected to further decrease from the loss of competitiveness, especially as competition from Brazil beef exports to the world will increase.

Includes PSD Changes: No
Includes Trade Matrix: No
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In its December 19, 2007 meeting, the Standing Committee on the Food Chain and Animal Health (SCFAH) of EU's DG SANCO discussed the imports of fresh beef from Brazil in light of the recent unfavorable audit by the EC Food and Veterinary Office (FVO). The SCFAH approved a Commission Decision that imposes stricter traceability requirements for eligible Brazil cattle farms for export to the EU. Expectations are that these restrictions will reduce the number of eligible ranches from more than ten thousands to just a few hundred. This Commission Decision will apply from January 31, 2008, with shipments en route to the EU acceptable until March 15, 2008.

Assuming that the larger ranches would have the best traceability records, this measure would probably leave more than fifty percent of the cattle destined for export to the EU unaffected. However, this would send a clear signal that the EC is becoming serious with the Brazil traceability breaches and the risk for Foot and Mouth Disease (FMD) that these entail. It is expected that the FVO will carry out a follow up audit in the spring of 2008, maybe as soon as March. Indications are that if this audit yields negative results again, the EC may not have any other political choice but to consider closing down Brazil beef exports to the EU.

What would be the impact of this Commission Decision?

The current measure pertains to imports of raw beef and does not affect imports of cooked and processed beef. In 2006 Brazil exported over 260 thousand MT of raw beef to the EU or almost 75 percent of total Brazil beef exports to the EU. On a total EU beef consumption of 8.4 million MT, this represents about 2.5 percent of EU beef consumption. However, it constitutes almost half of all EU beef imports. Because the majority of this beef is for processing, there are little or no alternative sources available to replace these imports. As such, it is likely to increase EU cattle prices. Conversely, beef prices in Brazil could be expected to decrease as a result, which would in turn increase competition from Brazil beef in other markets, like Russia and the Middle-East. This would then probably result in a further decrease in EU beef exports to these destinations as EU beef competitiveness erodes. For recent analysis on the EU beef import market, see GAIN NL7032.

EU27 (External Trade) Import Statistics								
Brazil raw beef								
Calendar Year: 2004 - 2006								
Partner Country	Unit	Quantity			% Share			% Change 2006/2005
		2004	2005	2006	2004	2005	2006	
World	T	311834	366939	375037	100.00	100.00	100.00	2.21
Brazil	T	188446	244016	263949	60.43	66.50	70.38	8.17

Source: Global Trade Atlas

Today's measures by the SCFAH are just another step in a longer effort to bring Brazil beef exports into compliance with EU traceability and hygiene requirements. The EC already failed to lift the ban on beef exports from 3 provinces in Brazil that had been banned because of FMD in recent months despite the absence of any new outbreaks for 18 months. This could already be seen as some punishment for the negative FVO report from the spring 2007 audit. Since 2003, consecutive FVO audit reports have highlighted shortcomings in the Brazil cattle identification system SISBOV as well as in Brazil government oversight and testing. Several warnings to Brazil inspection services have only resulted in partial progress, not full compliance. As a result, the EC has become under increasing pressure from EU beef producers about the lack of enforcement of EU standards on beef imports from Brazil, as well as about the risk for FMD.

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